

Michigan Portfolio Standard

MPSC Staff Strawman Proposal, v1.0

Policy Team

Renewable Energy and Alternative Technology Workgroups

For Discussion at June 2, 2006 Meeting

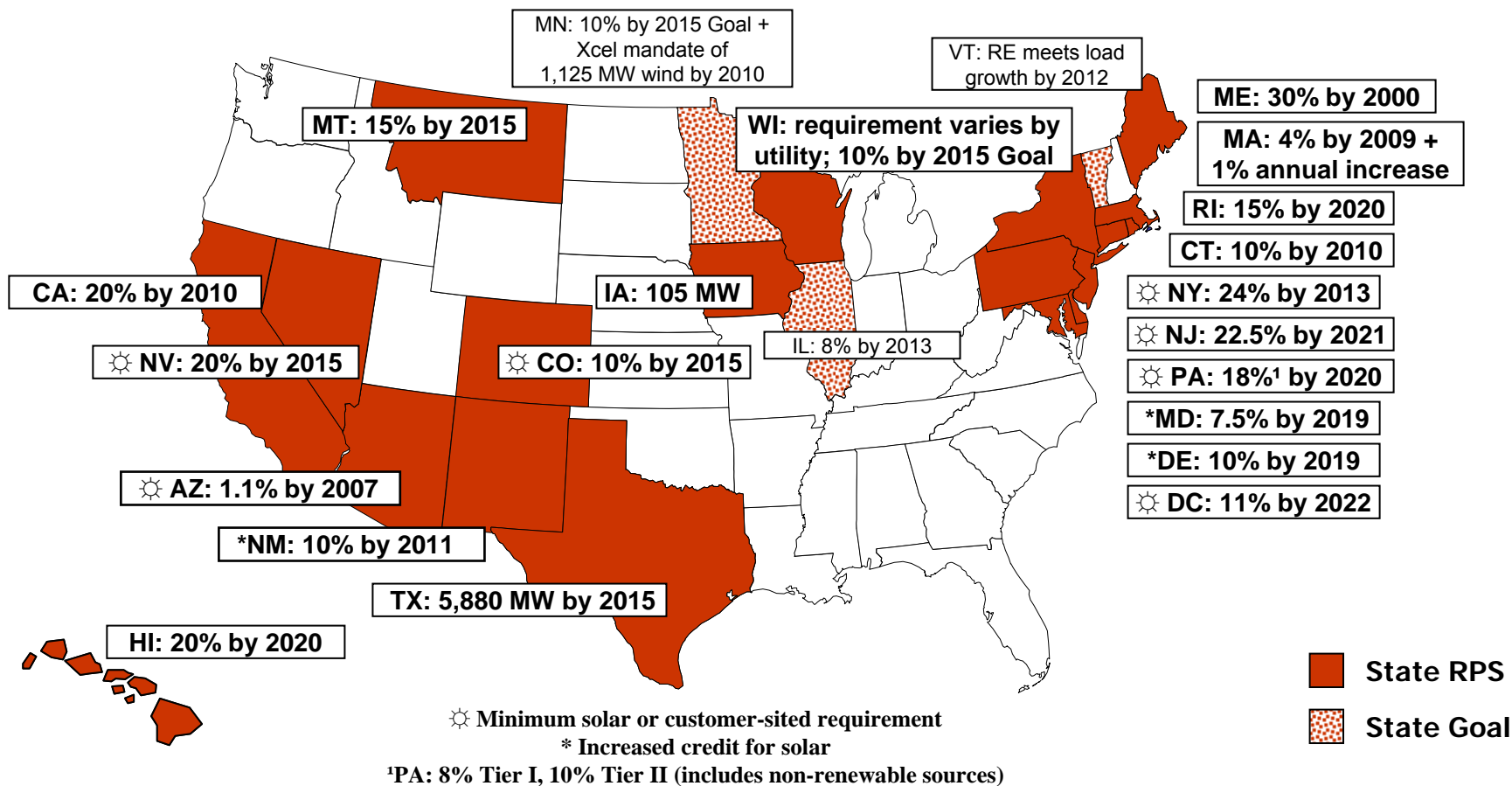
Outline of presentation

- Mini-Review of Other State RPSs
- Staff Strawman Proposal for Michigan Portfolio Standard
- Discussion
- Plans for refining proposal and considering alternatives

Other States' Renewable Portfolio Standards

DSIRE: www.dsireusa.org

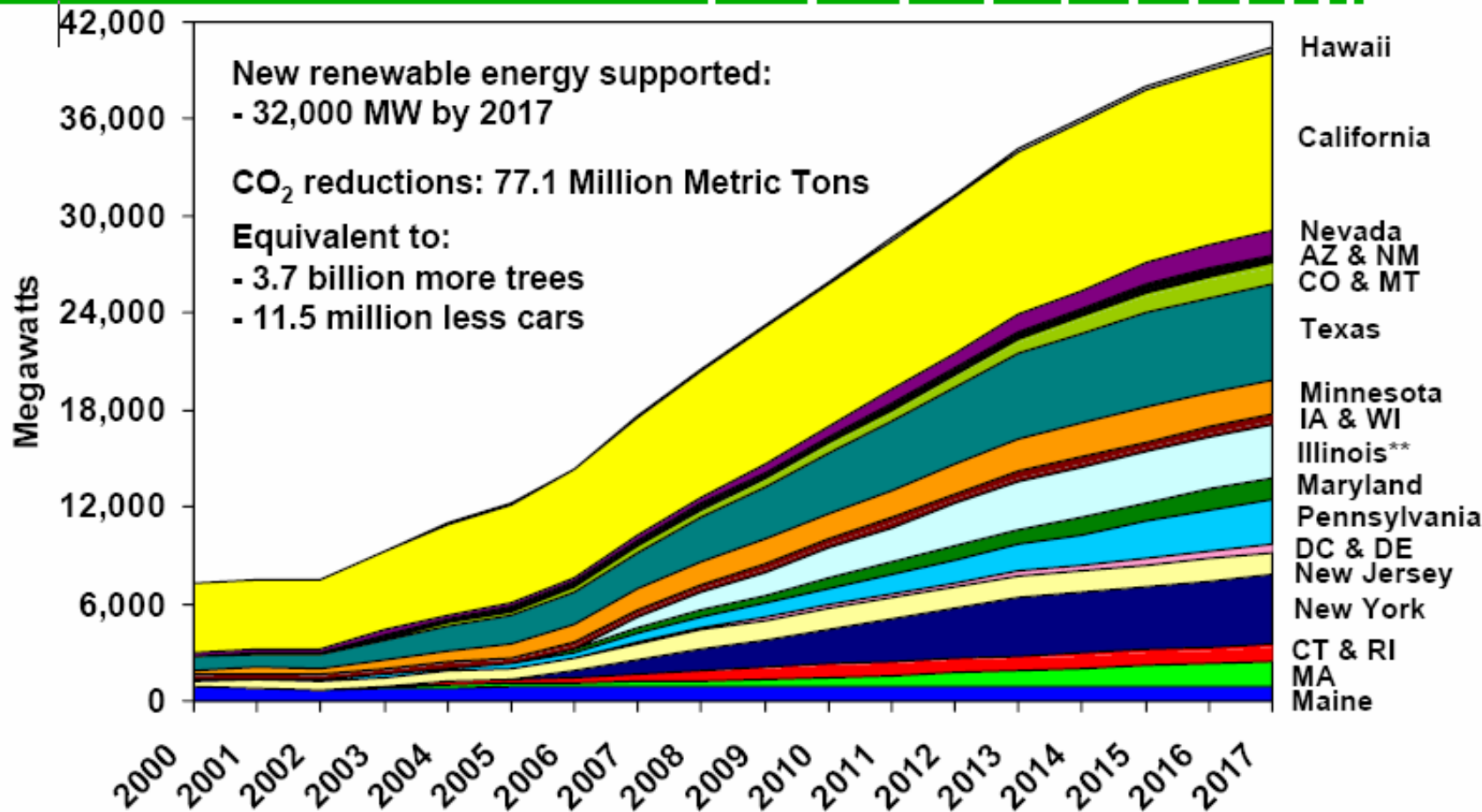
May 2006





Union of
Concerned
Scientists

Renewable energy expected from state standards*



*Projected development assuming states achieve annual RES targets.

**Assumes regulatory enforcement of voluntary RES.

Source: UCS, online at
www.ucsusa.org

P's & Q's of Selected Other State Programs

States	Restructured Market	First Year	Last Year	PBF Funding for Renewables (% of Revenue)	REC Banking Years	Central Procurement
AZ	Yes	2001	2012	No Fund	Unlimited	No
CO	No	2007	2015	No Fund	5	No
MA	Yes	2003	DOER ends >2009	0.7%	2	No
NY	Yes	2006	2013	0.13%	N/A	Yes
NV	Limited	2001	2015	TRED	4	No
TX	Yes	2002	2019	No Fund	3	No
WI	No	2001	2015	0.1%	Unlimited	No

Staff Strawman Principles

- Portfolio Management provides for safe, clean, affordable, & reliable energy.
- This is a basic supplier responsibility and provides value for all customers.
- All customers benefit from smart portfolio management through fuel and technology diversity.
- Therefore all customers should pay for portfolio resources.

Staff Strawman Principles (2)

- Suppliers should be purchasing all renewable energy that is already “cost effective.”
- In addition, an RPS requires all suppliers to incorporate modest additions of new renewable energy each year, in order to generate market pull, gain valuable operating experience, etc.
- A balanced portfolio is important for stabilizing prices and mitigating risks.

Staff Strawman Basics

- RPS Target should be aggressive but achievable, backstopped by rate-impact maximum, with “hardship exceptions” based only on specific criteria.
- Applies equally to all suppliers.
- Promotes in-state production.
- Counts supplier owned or purchased renewable energy
 - Could include credits for thermal energy from renewables and CHP, on-site renewables
 - Could include “pooling” for purchases through one or more statewide agents
- Tradable RECs

RPS Target

- About _____% new renewable energy per year.
- Defines “renewable energy” as in PA 141: “Renewable energy source” means energy generated by solar, wind, geothermal, biomass, including waste-to-energy and landfill gas, or hydroelectric.
- “Circuit Breaker” or Rate Impact Limit – _____% maximum, or about \$_____/meter/month...

Baseline

- How should the baseline be set? A method is needed to spell out how the baseline will be calculated, for each supplier's portion of statewide retail sales, in order to determine each supplier's target (in MWh of new renewable energy each year).

RECs & REC Trading

- Qualifying generators self-certify based on MPSC approved criteria. MPSC resolves disputes, if any.
- RECs must meet MPSC criteria, be independently certified, and be retired when used.
- 1 MWh = 1 REC.
- REC tracking using a system such as Midwest Renewable Energy Tracking Systems (MRETS).
- Banking allowed, for up to _____ years.
- RECs associated with retail sales through *qualifying* rates can be counted (e.g. green rates, net metering rates, etc.).

Qualifying MWhs

- All “new renewable energy” that meets MPSC criteria plus all existing environmental and siting requirements
 - including thermal energy from renewable sources (credited at appropriate levels, e.g. per MMBtu).
- Sales through *qualifying* green rate programs.
- Minimum set-asides for specific technologies?

Reporting & Policy Review

- Utility requirements – Annual reporting to MPSC
- Periodic target reviews, with recommendations for any changes, each _____ years.

Standard Offer Contracts

- Contract prices and specifications (by system type) developed by a statewide agent, with review and approval by Commission.
- Contracts generally last for duration of financing
- New contract prices set periodically (2 years?)
- Contracts awarded on first-come, first served basis, up to a maximum limit (in annual MWh production) for each 2-year development cycle.
- RECs sold to LSEs for RPS compliance.

Next Steps

- Discussion
- Planning
- Identify major concerns by June 7, and figure out who will work on them.
- Complete proposal by July 12 meeting